

Weatherization Program Notice 00-1

Effective Date - November 23, 1999

SUBJECT: PROGRAM YEAR 2000 WEATHERIZATION GRANT GUIDANCE

PURPOSE: To issue grant guidance and management information for the Low-Income Weatherization Assistance Program (Weatherization) for Program Year 2000.

SCOPE: The provisions of this guidance apply to all grantees applying for financial assistance under the Department of Energy (DOE) Weatherization Assistance Program.

BACKGROUND: Title IV, Energy Conservation and Production Act, as amended, authorizes the Department of Energy to administer the Low-Income Weatherization Assistance Program. All grant awards made under this program shall comply with applicable law including regulations contained in 10 CFR Part 440, and other procedures applicable to this regulation as DOE may from time to time prescribe for the administration of financial assistance.

DOE is in the process of promulgating a change to the program regulations. We will issue a Notice of Proposed Rulemaking (NPR) and invite public comment. A final rule is expected to be published prior to the beginning of Program Year 2000.

The final rule, however, will not be complete before many States draft their plans and hold a public hearing. There are a number of proposed changes that States can take advantage of during this year's planning cycle. States may streamline their State plans as follows: 1) omit estimation by category of the number of residences to be weatherized, i.e., elderly, persons with disabilities, children; 2) omit estimation by each area of the rental units and re-weatherization units; 3) include energy burden and high residential energy users to the priority categories; 4) use a "State policy advisory council or commission" in place of a Policy Advisory Council; and 5) eliminate reference to JTPA. Note: These areas should be addressed in Section II.12 of the Annual File.

Note: Other proposed changes may be incorporated into State Plans after the final rule is issued, through plan amendments submitted to the Regional Offices (RO). It is suggested that all States should address the implications of the proposed rule changes, including the suggested statutory changes, in their initial public hearing to avoid the necessity of holding another hearing after the rule becomes final. States should check with their respective RO to assure that the hearing requirement has been met.: Other proposed changes may be incorporated into State Plans after the final rule is issued, through plan amendments submitted to the Regional Offices (RO). It is suggested that all States should address the implications of the proposed rule changes, including the suggested statutory changes, in their initial public hearing to avoid the necessity of holding another hearing after the rule becomes final. States should check with their respective RO to assure that the hearing requirement has been met.

PROCEDURES: The following sections provide States with information concerning areas to be addressed in their annual application to DOE.

1.0 FUNDING

1.1 GENERAL FUNDING: In program year 2000, funding for the Weatherization Program, which requires DOE approval for expenditure, can come from six sources: (1) Federally appropriated funds; (2) Warner and EXXON oil overcharge funds; (3) Stripper Well and other oil overcharge funds (including Texaco) which are subject to Stripper Well settlement rules; (4) LIHEAP funds designated for expenditure under DOE rules; (5) utility funds designated for expenditure under DOE rules; and (6) program income. In program year 2000, funding for the Weatherization Program, which requires DOE approval for expenditure, can come from six sources: (1) Federally appropriated funds; (2) Warner and EXXON oil overcharge funds; (3) Stripper Well and other oil overcharge funds (including Texaco) which are subject to Stripper Well settlement rules; (4) LIHEAP funds designated for expenditure under DOE rules; (5) utility funds designated for expenditure under DOE rules; and (6) program income.

Note: The expenditure of leveraged funds requires DOE approval only when those funds are acquired using DOE appropriated monies and if they are designated for use in the DOE Weatherization Program. Also, #4 and #5 above only need to be approved by DOE if the State is charging administrative costs to DOE. The expenditure of leveraged funds requires DOE approval only when those funds are acquired using DOE appropriated monies and if they are designated for use in the DOE Weatherization Program. Also, #4 and #5 above only need to be approved by DOE if the State is charging administrative costs to DOE.

1.2 FEDERALLY APPROPRIATED FUNDS: Weatherization Program Notice 00-2 issues tentative allocations. As in past years, direct grants for Indian Tribes will come out of State allocations. States should hold their public hearings based on their tentative allocations of appropriated funds plus all petroleum violation escrow (PVE) funds they intend to allocate for use under the weatherization program. Weatherization Program Notice 00-2 issues tentative allocations. As in past years, direct grants for Indian Tribes will come out of State allocations. States should hold their public hearings based on their tentative allocations of appropriated funds plus all petroleum violation escrow (PVE) funds they intend to allocate for use under the weatherization program.

Grantees are expected to achieve a rate of production and expenditure that will result in all DOE Weatherization funds being spent by the end of the program year (March 31 for most States, or the end of the program year as approved by DOE) for which they have been allocated.

1.3 ADJUSTED AVERAGE: The new adjusted average expenditure limit for program year 2000 is \$2,085. This adjusted annual average is determined by DOE using the annual Consumer Price Index (CPI) or 3 percent, whichever is less. The CPI for the year ending in September 1999 was 2.6 percent. This amount is then multiplied by the present expenditure limit, thereby setting the new expenditure limit for the upcoming program year. The new adjusted average expenditure limit for program year 2000 is \$2,085. This adjusted annual average is determined by DOE using the annual Consumer Price Index (CPI) or 3 percent, whichever is less. The CPI for the year ending in September 1999 was 2.6 percent. This amount is then multiplied by the present expenditure limit, thereby setting the new expenditure limit for the upcoming program year.

Note: DOE is proposing that the average cost per home be increased to \$2500 and include the capital intensive costs that are currently in a separate category beginning in Program Year 2000, as a part of the legislative initiative before the Congress. This may be part of the final rule. If that occurs, States will need to submit plan amendments in order to incorporate this change.: DOE is proposing that the average cost per home be increased to \$2500 and include the capital intensive costs that are currently in a separate category beginning in Program Year 2000, as a part of the legislative initiative before the Congress. This may be part of the final rule. If that occurs, States will need to submit plan amendments in order to incorporate this change.

1.4 FUNDS FOR ADMINISTRATIVE PURPOSES: There is a statutory limit of 10 percent on funds that may be used for administrative purposes. Not more than 5 percent of new funds (total allocation for a program year) may be used by a State for administrative purposes, with the remainder to go to subgrantees. An exception to exceed the 10 percent total administrative requirement may apply to subgrantees funded at less than \$350,000 of DOE funds. States must provide, as a part of their annual plans to DOE, the criteria to be used for allowing the eligible subgrantees, those who receive less than \$350,000 of DOE appropriated funds, authority to use up to an additional 5 percent of their subgrants for administrative purposes. States are encouraged to develop their own criteria; however, the procedures for deciding which of the eligible subgrantees should receive additional funds and what additional percentage they may use must be addressed as a part of the criteria. The limit for maximum administrative expenditures by a State remains unchanged at 5 percent. There is a statutory limit of 10 percent on funds that may be used for administrative purposes. Not more than 5 percent of new funds (total allocation for a program year) may be used by a State for administrative purposes, with the remainder to go to subgrantees. An exception to exceed the 10 percent total administrative requirement may apply to subgrantees funded at less than \$350,000 of DOE funds. States must provide, as a part of their annual plans to DOE, the criteria to be used for allowing the eligible subgrantees, those who receive less than \$350,000 of DOE appropriated funds, authority to use up to an additional 5 percent of their subgrants for administrative purposes. States are encouraged to develop their own criteria; however, the procedures for deciding which of the eligible subgrantees should receive additional funds and what additional percentage they may use must be addressed as a part of the criteria. The limit for maximum administrative expenditures by a State remains unchanged at 5 percent.

Stripper Well funds used for all administrative purposes, i.e., for all programs, may not, in total, exceed 5 percent of Stripper Well funds budgeted by a State. In order to avoid the possibility of disallowed costs, States are reminded of this restriction. Within those parameters Stripper Well funds allocated to Weatherization may be used for administrative expenses. EXXON funds, however, may not be used for this purpose. A State may use Federal funds appropriated for the Weatherization Program to administer the EXXON and/or Stripper Well funds applied to the program. The new DOE and/or Stripper Well funding that may be used for administrative expenses may not exceed 10 percent of the total of new DOE, plus new EXXON, plus new Stripper Well funding for the program. Funds in administrative category accounts may be carried over from the previous budget period.

Program income and leveraged resources that are used in the DOE Weatherization Program may be treated as appropriated funds, in which case they could be added to the total appropriated

funds to determine overall administrative costs. No change to the percentage limits for administrative funds addressed above will occur. For further information on program income see section 1.6, for leveraged resources see section 1.7 of the grant guidance.

1.5 OTHER THAN FEDERALLY APPROPRIATED FUNDS: EXXON and Warner monies are subject to the same rules; Texaco and other subsequent oil overcharge settlement funds are subject to Stripper Well rules. For convenience, in discussing these various funding sources, we will refer to EXXON or Stripper Well as generic categories. EXXON and Warner monies are subject to the same rules; Texaco and other subsequent oil overcharge settlement funds are subject to Stripper Well rules. For convenience, in discussing these various funding sources, we will refer to EXXON or Stripper Well as generic categories.

If a State decides to use EXXON funds for its Weatherization program, these funds are to be treated in the same way as appropriated funds. That is: they must be included in the State Weatherization Plan/Annual Application; they are subject to the same State Plan/Application approval, program oversight, and reporting requirements as appropriated funds; and, their use is subject to the same statutory and regulatory constraints as are appropriated funds.

A State may elect to use Stripper Well funds for weatherization projects either separate from, or included within, the DOE Weatherization Program. Where Stripper Well funds have been approved for use in the program, these funds should be treated exactly as appropriated or EXXON funds. Where their use has been approved for weatherization activities separate from DOE Weatherization, these funds may be included, for information, in the State's plan, but are not subject to DOE rules, oversight, or reporting requirements.

There are no requirements that EXXON or Stripper Well funds be used during a particular period of time, and a State is also permitted to reallocate these funds from one eligible program to another as long as its plan has been amended and approved. If EXXON and/or Stripper Well funds earmarked for expenditure in the prior program year are not expended, the amount of Federal and/or Stripper Well funding that may be used for administrative expenses in the following program year must be adjusted appropriately.

No more than 5 percent of the combined total of EXXON and Stripper Well funds budgeted in a State plan/application may be used for T&TA purposes. Up to an additional 5 percent of these funds may be used for evaluation of a State's Weatherization program, and for innovative efforts for leveraging program funds, provided these activities are approved by the applicable DOE Regional Office. DOE will review this requirement as a part of the upcoming regulatory process to try and give States greater flexibility.

1.6 PROGRAM INCOME: DOE defines program income as any funds earned by grantees and/or subgrantees from non-Federal sources during the course of performing DOE Weatherization work. The income generated must be used to complete additional dwelling units in accordance with DOE rules.

Program income is subject to the specific guidance provided in the DOE Financial Assistance Rule, 10 CFR 600, Subpart B Section 600.124 and Subpart C, Section 600.225 as appropriate

and should be treated as an addition to program funds subject to the same rules as appropriated funds. Because of changes to 10 CFR 600, DOE will stipulate, in the grant award, that program income is to be treated as an addition to program funds. Property owner contributions to the program are not considered program income.

Note: States requiring further clarification on program income as it applies to their specific program should contact their respective Regional Office.

1.7 LEVERAGED RESOURCES: DOE defines leveraging as any non-Federal resources which are used to supplement the program or are used to run a parallel program (regardless of who initiates the action) and expands energy efficiency services and/or increases the number of dwelling units completed for Weatherization eligible clients. Leveraged resources are not considered to be program income for the purposes of the Weatherization Assistance Program. DOE defines leveraging as any non-Federal resources which are used to supplement the program or are used to run a parallel program (regardless of who initiates the action) and expands energy efficiency services and/or increases the number of dwelling units completed for Weatherization eligible clients. Leveraged resources are not considered to be program income for the purposes of the Weatherization Assistance Program.

Under leveraging, grantees/subgrantees work at developing partnerships with property owners, utility companies, and other entities that generate non-Federal resources for the program. As a result of this effort, there may be an associated grantee or subgrantee cost that can be paid for using a percentage of the DOE grant. That is the purpose of DOE allowing a leveraging budget category in the budget section of the grant award (DOE F 4600.4) (9/92).

Generally, leveraging is not considered program income; however, program income is a form of leveraging. The DOE Financial Assistance Rules do not specifically address leveraged resources; however, the DOE definition and grant guidance provide States with greater flexibility in the use of these resources and fewer reporting requirements than there are for program income.

Note: States requiring further clarification or guidance on leveraged resources as it applies to their specific program should contact their respective Regional Office. For additional information on leveraging in general, please review section 5.9 of the grant guidance.: States requiring further clarification or guidance on leveraged resources as it applies to their specific program should contact their respective Regional Office. For additional information on leveraging in general, please review section 5.9 of the grant guidance.

Note: Landlord contributions are technically a form of leveraged funds but they are not a part of the grant. These funds are not voluntary (in most instances) and, therefore, are treated differently than traditional leveraged funds. The expenditure of these funds must be in accordance with the landlord contribution agreement made with the State or local agency. If there are no strings attached to certain landlord contributions, then the agency may use these funds according to the agency's established policies.: Landlord contributions are technically a form of leveraged funds but they are not a part of the grant. These funds are not voluntary (in most instances) and, therefore, are treated differently than traditional leveraged funds. The expenditure of these funds must be in accordance with the landlord contribution agreement made with the State or local

agency. If there are no strings attached to certain landlord contributions, then the agency may use these funds according to the agency's established policies.

1.8 TRAINING & TECHNICAL ASSISTANCE FUNDS: The Weatherization Assistance Program statute permits DOE to use an amount not to exceed 10 percent of the funds appropriated, for T&TA activities. Traditionally, DOE has allocated 2 percent or less for Headquarters T&TA activities and allocated within the formula grants approximately 6 percent for State T&TA. States have indicated a need to adjust the allocation to allow the full remaining percentage of funds for T&TA. To address this need, DOE adjusted the 1999 T&TA category in the allocation formula to maximize the amount of funds that could be used for State T&TA activities. This percentage will be reviewed annually and set only after considering the amount of funds appropriated to the Program and an Annual Operating Plan is developed for Headquarters and RO T&TA to address needs. The percentage of funds for Program Year 2000 will reflect the full percentage of T&TA for States and will be indicated in WPN 00-2, Tentative Allocations. The Weatherization Assistance Program statute permits DOE to use an amount not to exceed 10 percent of the funds appropriated, for T&TA activities. Traditionally, DOE has allocated 2 percent or less for Headquarters T&TA activities and allocated within the formula grants approximately 6 percent for State T&TA. States have indicated a need to adjust the allocation to allow the full remaining percentage of funds for T&TA. To address this need, DOE adjusted the 1999 T&TA category in the allocation formula to maximize the amount of funds that could be used for State T&TA activities. This percentage will be reviewed annually and set only after considering the amount of funds appropriated to the Program and an Annual Operating Plan is developed for Headquarters and RO T&TA to address needs. The percentage of funds for Program Year 2000 will reflect the full percentage of T&TA for States and will be indicated in WPN 00-2, Tentative Allocations.

States have indicated that enhancing the technical base of the staff at the Federal, State, and local levels is a top priority and critical to improving the effectiveness of the Program. In 1999, DOE began developing methods of implementing such improvements at the Federal level, such as developing a national conference with multiple technical tracks as part of an overall T&TA improvement strategy. In 1999, States chose to use the additional T&TA funds to expand the technical base of their respective programs (i.e. staff training, advanced audit implementation, electric/gas utility industry restructuring, etc.), or to perform State program evaluations. DOE would like to see this trend continue. A description of these activities to be undertaken for the additional T&TA funds must be included as a part of the State T&TA Plan and approved by the RO as provided for in the Annual File, Section II.6 of the Application Package.

States have also indicated they would like to know what T&TA activities are being implemented across the nation. The design of the T&TA report will enable DOE to capture this information, develop a compendium of these activities, and share it with the States on a semi-annual basis. This information will be made available through an electronic medium (i.e., WAPTAC and/or WinSAGA.)

Note: Any T&TA funds not designated for specific approved activities should be returned to the standard program allocation category and used to weatherize low-income homes.

2.0 GRANT APPLICATION

2.1 GENERAL: Any requests for financial and programmatic information which go beyond the requirements of the program regulations, DOE Financial Assistance Rule, and the grant guidance will be made on a case-by-case basis. These requests should be supported by findings such as financial audit reports, deficiencies identified during field program oversight, or deficiencies noted in programmatic and financial reports. To increase public involvement and obtain timely suggestions in developing their plans, DOE strongly urges States to hold two meetings--one at the beginning of the planning process, as well as the formal and required public hearing on the completed plan. The grant application should include planned activities and expenditures using EXXON and/or Stripper Well funds proposed for use within the Weatherization Program. The same budget information should be included for these EXXON and Stripper Well activities, respectively, as is the case for DOE funding.

2.2 INTERGOVERNMENTAL REVIEW: In the development, submission, and review of grant applications, the provisions of Executive Order 12372 (Intergovernmental Review of Federal Programs) and the DOE Implementing Order (10 CFR 1005) remain unchanged.

2.3 APPLICATION PACKAGE: The standard application package updated on October 16, 1998 under WPN 99-4 is the version that States must use. Currently the application consists of 1) an annual file , which is to be submitted each program year for approval by the RO; and 2) a master file , which is submitted the first year of the new application and updated as appropriate. DOE will revise the application package to reflect regulatory changes after the issuance of the final rule later in the year. The standard application package updated on October 16, 1998 under WPN 99-4 is the version that States must use. Currently the application consists of 1) an annual file , which is to be submitted each program year for approval by the RO; and 2) a master file , which is submitted the first year of the new application and updated as appropriate. DOE will revise the application package to reflect regulatory changes after the issuance of the final rule later in the year.

All states are required to use the new application package in Program Year 2000. For the first program year of the new application package, all grant application components must be submitted so that the U.S. Department of Energy has all information on file for later inclusion in the state's Master File.

Note: States must hold a public hearing on the entire Annual File and the Master File the first year the new application package is used, and then only on the Annual File thereafter. Any proposed change to the Master File must also be addressed in the hearing.: States must hold a public hearing on the entire Annual File and the Master File the first year the new application package is used, and then only on the Annual File thereafter. Any proposed change to the Master File must also be addressed in the hearing.

2.4 PUBLIC HEARING: The RO's will carefully review the transcripts of the public hearings on the 2000 State Plans to determine that all local agency issues are properly addressed by the State prior to approval of the final State Plan. States should be aware that if major program changes are made after the initial public hearing, then an additional hearing may be required.

Also any change in the distribution of funds not addressed in the initial hearing will necessitate another public hearing. DOE will continue to require all areas of the State to be served. However, DOE will consider approving alternative plans which may require implementing this provision over more than one program year and may include funds from other sources. The RO's will carefully review the transcripts of the public hearings on the 2000 State Plans to determine that all local agency issues are properly addressed by the State prior to approval of the final State Plan. States should be aware that if major program changes are made after the initial public hearing, then an additional hearing may be required. Also any change in the distribution of funds not addressed in the initial hearing will necessitate another public hearing. DOE will continue to require all areas of the State to be served. However, DOE will consider approving alternative plans which may require implementing this provision over more than one program year and may include funds from other sources.

DOE reminds States that adequate notice (not less than 10 days) be given prior to holding a public hearing on the State plan. A part of this notice should be a summary or highlights of the proposed changes from the previous year's plan. Many subgrantees complain that they are not adequately informed of the contents of the plan until the hearing has begun. Consequently, they are not always prepared to offer comments on the plan or its impact on their local program. Providing this information up front will improve communication between State and local agencies and minimize disputes that may arise at the hearing.

Note: DOE will accept only an official transcript of the public hearing. A State staff person taking notes at the hearing and then transcribing them later for submission to DOE is not acceptable. Also, most States have laws governing the conduct of public hearings, including making a copy of the plan available upon request.: DOE will accept only an official transcript of the public hearing. A State staff person taking notes at the hearing and then transcribing them later for submission to DOE is not acceptable. Also, most States have laws governing the conduct of public hearings, including making a copy of the plan available upon request.

2.5 BUDGET: Grantees with a waiver to the 40 percent material requirement are encouraged to use the Standard/Capital Intensive Program Operations budget categories. Grantees without the waiver must continue to budget and report using the Materials, Program Support and Labor categories. Grantees should ensure that subgrantees are allowed to charge legitimate program support costs to the program support category rather than requiring those costs be charged to the administrative category. For example, salaries, space, utilities, telephone and similar costs associated with program support personnel should be charged to program support. Grantees with a waiver to the 40 percent material requirement are encouraged to use the Standard/Capital Intensive Program Operations budget categories. Grantees without the waiver must continue to budget and report using the Materials, Program Support and Labor categories. Grantees should ensure that subgrantees are allowed to charge legitimate program support costs to the program support category rather than requiring those costs be charged to the administrative category. For example, salaries, space, utilities, telephone and similar costs associated with program support personnel should be charged to program support.

When States prepare their budgets for 2000 they should include adequate travel expenses for staff to effectively implement the program. DOE considers attendance by State staff at national

and regional conferences, and other scheduled and related meetings, as high priorities since these meetings are essential to effective program implementation.

Note: States planning to carryover unused training and technical assistance funds from one program year to another must return these monies to the program budget category and use them to weatherize additional homes, unless they can justify to their respective Regional Office adding these carryover amounts to their new training and technical assistance amounts.: States planning to carryover unused training and technical assistance funds from one program year to another must return these monies to the program budget category and use them to weatherize additional homes, unless they can justify to their respective Regional Office adding these carryover amounts to their new training and technical assistance amounts.

Note: T&TA funds may not be used to purchase vehicles or equipment for local agencies to perform weatherization services. The cost of these vehicles or equipment to support the program must be charged to the program support/program operations category. Only State purchases of vehicles or equipment, which are directly related to specific training and technical assistance activities, such as monitoring, etc. may be purchased with T&TA funds.: T&TA funds may not be used to purchase vehicles or equipment for local agencies to perform weatherization services. The cost of these vehicles or equipment to support the program must be charged to the program support/program operations category. Only State purchases of vehicles or equipment, which are directly related to specific training and technical assistance activities, such as monitoring, etc. may be purchased with T&TA funds.

2.6 ENERGY AUDIT IMPLEMENTATION: In Program Year 1992, DOE provided each State "with separate funds" (\$25,000 plus 2.5 percent of its base grant) for energy audit compliance. States were allowed to carry over these funds until they could develop energy audit plans. Many States did not expend those funds because they were awaiting the availability of the DOE developed NEAT audit. With the completion of the NEAT and the availability of other approved waiver audits, States were expected to have expended these funds. The Mobile Home Energy Audit (MHEA) has been made available to the States. All energy audit compliance funds that were carried over into 1999 must be designated for expenditure in 2000 as part of a submitted audit compliance plan and approved by the applicable Regional Office. In Program Year 1992, DOE provided each State "with separate funds" (\$25,000 plus 2.5 percent of its base grant) for energy audit compliance. States were allowed to carry over these funds until they could develop energy audit plans. Many States did not expend those funds because they were awaiting the availability of the DOE developed NEAT audit. With the completion of the NEAT and the availability of other approved waiver audits, States were expected to have expended these funds. The Mobile Home Energy Audit (MHEA) has been made available to the States. All energy audit compliance funds that were carried over into 1999 must be designated for expenditure in 2000 as part of a submitted audit compliance plan and approved by the applicable Regional Office.

2.7 LIABILITY INSURANCE: States are reminded that all work must be covered by liability insurance. States should inform local agencies that sufficient liability coverage for DOE funded activities should be obtained. Liability insurance should be charged to the liability line item in the budget. It should be noted that the liability insurance line item was created to ensure that such

costs would never have to be charged to the administrative cost category. (See preamble to Federal Register, Volume 45, Number 40, published February 27, 1980, page 1303 1). States are reminded that all work must be covered by liability insurance. States should inform local agencies that sufficient liability coverage for DOE funded activities should be obtained. Liability insurance should be charged to the liability line item in the budget. It should be noted that the liability insurance line item was created to ensure that such costs would never have to be charged to the administrative cost category. (See preamble to Federal Register, Volume 45, Number 40, published February 27, 1980, page 1303 1).

2.8 FINANCIAL AUDITS: Section 440.23 of the program regulations permits a separate budget category for financial audits. The cost of these audits was previously charged to the already over-burdened administrative cost category and sometimes resulted in less than adequate, quality financial audits. States are encouraged to provide this relief to their subgrantees. Section 440.23 of the program regulations permits a separate budget category for financial audits. The cost of these audits was previously charged to the already over-burdened administrative cost category and sometimes resulted in less than adequate, quality financial audits. States are encouraged to provide this relief to their subgrantees.

Note: OMB Circular A-133, revised June 30, 1997, should be consulted for new thresholds, etc. States should refer to Section IV.3 of the Application Package and/or contact their respective RO for further guidance or clarification.: OMB Circular A-133, revised June 30, 1997, should be consulted for new thresholds, etc. States should refer to Section IV.3 of the Application Package and/or contact their respective RO for further guidance or clarification.

3.0 TRAINING AND TECHNICAL ASSISTANCE (T&TA) PLAN

3.1 BASIC: T&TA activities are intended to maintain or increase the efficiency, quality, and effectiveness of the Weatherization Program at all levels. Such activities should be designed to maximize energy savings, minimize production costs, improve program management and crew/contractor "quality of work," and/or reduce the potential for waste, fraud, and mismanagement. The local service providers should be the primary recipients of T&TA and the States' T&TA plans. T&TA activities are intended to maintain or increase the efficiency, quality, and effectiveness of the Weatherization Program at all levels. Such activities should be designed to maximize energy savings, minimize production costs, improve program management and crew/contractor "quality of work," and/or reduce the potential for waste, fraud, and mismanagement. The local service providers should be the primary recipients of T&TA and the States' T&TA plans.

Section II.6 of the Annual File and section III.6 of the Master File in the Application Package, should be used to describe how States will identify and address the needs of the subgrantees in this area. As a minimum, such a description must include the following:

- A. How a State assesses the training needs of its subgrantees;
- B. What training the State will provide for subgrantee staff and if attendance is required;

C. Whether the State requires any certification or training of subgrantee staff prior to hire or by date certain of hire,

D. How the State compares productivity and energy savings between subgrantees and how these comparisons are used in the development of T&TA activities and priorities;

E. What portion of State T&TA funds will be allocated for State program oversight efforts', how such funds will be apportioned, and if any other funding sources will be used for this purpose; and

F. An assessment of State T&TA activities to determine whether these funds are being spent effectively.

3.2 CLIENT EDUCATION: Client education is a key component to any effective weatherization program. The information sharing among the States in this area has brought about a heightened awareness of the importance of client education. DOE will continue in its efforts to identify and network successful State initiatives, and provide training and materials as needed.

3.3 PROGRAM EVALUATION: The national evaluation of the Weatherization Assistance Program concluded that this Program is cost effective. DOE made available to the States a summary of the results of this study which provide the framework for States making changes to their respective programs to improve performance, efficiency, and effectiveness. Likewise, this study assists States and local agencies in obtaining leveraged funds from utilities and other sources by demonstrating documented energy savings and illustrating a professionally operated program. DOE will continue to encourage States to proceed with individual State evaluations. We do ask that each State undertaking such an evaluation coordinate their plans with DOE so that we may each share the other's knowledge to gain the maximum results from our final products.

4.0 GRANTEE PROGRAM OVERSIGHT (Program Monitoring) (Program Monitoring)

A. ROLE : The State must conduct an assessment of each subgrantee at least once a year. The State may make as many program assessment visits as necessary and for which resources are available. By the close of the program year, the State is expected to have completed a comprehensive review of each subgrantee including its last financial audit. Failure to comply with this requirement is sufficient cause to require special conditions to the grant under 10 CFR 600.212.

Note: An exception to the annual subgrantee visit requirement can be made for those agencies designated as "exemplary" agencies by the State. This designation(s) and a justification for each must be included in the State monitoring plan and approved by the RO. The designated "exemplary" agencies assessment visit would occur no less often than every other year. States would be required to continue to provide oversight by reviewing all relevant reports for these designated agencies and act accordingly should a problem arise. States are still required to ensure that these agencies designated as "exemplary" are satisfying all existing program requirements, including a final inspection of all homes weatherized each program year.: An exception to the

annual subgrantee visit requirement can be made for those agencies designated as "exemplary" agencies by the State. This designation(s) and a justification for each must be included in the State monitoring plan and approved by the RO. The designated "exemplary" agencies assessment visit would occur no less often than every other year. States would be required to continue to provide oversight by reviewing all relevant reports for these designated agencies and act accordingly should a problem arise. States are still required to ensure that these agencies designated as "exemplary" are satisfying all existing program requirements, including a final inspection of all homes weatherized each program year.

B. VISIT : The subgrantee should be briefed on the observations and findings generated by the visit, usually through an exit interview. Within 30 days after each visit, the State will prepare a written report on its findings and send it to the subgrantee for corrective action, if applicable. Noncompliance findings, unresolved within forty-five days, should be reported to the applicable Regional Office. Sensitive or significant noncompliance findings should be reported to the Regional Office immediately. The subgrantee should be briefed on the observations and findings generated by the visit, usually through an exit interview. Within 30 days after each visit, the State will prepare a written report on its findings and send it to the subgrantee for corrective action, if applicable. Noncompliance findings, unresolved within forty-five days, should be reported to the applicable Regional Office. Sensitive or significant noncompliance findings should be reported to the Regional Office immediately.

C. TRACKING : Major findings from subgrantee assessment visits and financial audits should be tracked by the State to final resolution. DOE recommends that the tracking record developed by the State include, but not be limited to: findings including success stories, recommended corrective actions, deliverables, due dates, responsible parties, actions taken, and final resolution.

D. ANALYSIS : Annually the State will summarize and review each subgrantee's audit, program assessment reports and findings for internal assessment of State and subgrantee needs, strengths, and weaknesses. The results of this annual assessment should be considered during annual planning and should be available in the State Office for Regional Offices to review during their State program assessment visits. Annually the State will summarize and review each subgrantee's audit, program assessment reports and findings for internal assessment of State and subgrantee needs, strengths, and weaknesses. The results of this annual assessment should be considered during annual planning and should be available in the State Office for Regional Offices to review during their State program assessment visits.

5.0 POLICY, PROGRAM GUIDANCE, AND REGULATORY CHANGES

5.1 TEMPORARY DISQUALIFICATION OF CERTAIN NEWLY LEGALIZED ALIENS FROM RECEIPT OF WEATHERIZATION BENEFITS: Sections 245A and 210A of the Immigration and Nationality Act (INA), as amended, made certain aliens, legalized under the Immigration and Control Act (ICA) of 1986, temporarily ineligible for weatherization assistance. The provisions of this law have expired. The only potential implications affecting weatherization services are those individual cases that were open while this law was in effect. Sections 245A and 210A of the Immigration and Nationality Act (INA), as amended, made certain aliens, legalized under the Immigration and Control Act (ICA) of 1986, temporarily ineligible for

weatherization assistance. The provisions of this law have expired. The only potential implications affecting weatherization services are those individual cases that were open while this law was in effect.

The Welfare Reform Act, officially referred to as the Personal Responsibility and Work Opportunity Act of 1996, H.R. 3734, placed specific restrictions on the eligibility of aliens for "Federal means-tested public benefits" for a period of five years. As defined in a Federal Register notice dated August 26, 1997 (62 FR 45256) the Department of Health and Human Services (HHS) is interpreting "Federal means-tested public benefits" to include only those benefits provided under Federal means-tested, mandatory spending programs. HHS Information Memorandum LIHEAP-IM-25 dated August 28, 1997, states that all qualified aliens, regardless of when they entered the U.S., continue to be eligible to receive assistance and services under the Low-Income Home Energy Assistance Program (LIHEAP) if they meet other program requirements. To eliminate any possible contradiction of eligibility for weatherization services at the State and local level for qualified aliens, the definition adopted by HHS will also apply to the DOE Weatherization Assistance Program.

HHS issued Information Memorandum LIHEAP-IM-98-25 dated August 6, 1998, outlining procedures for LIHEAP and Weatherization grantees serving non-qualified aliens to implement new status verification requirements. This memorandum is based on a proposed rule issued by the Department of Justice (DOJ) on August 4, 1998. The Welfare Reform Act is a complex issue and there is some confusion on the specific application of this part of the Act. To insure Program continuity between LIHEAP & Weatherization for the many subgrantees operating both programs, the DOE Weatherization Assistance Program will follow the interpretation as adopted by HHS. The primary area of confusion resides in the types of local agencies that are exempt/non exempt from "status verification requirements." Local agencies that are both charitable and nonprofit would be exempt, which comprise about three-quarters of the local agency network. However, those agencies which are designated as local government agencies operating the Weatherization Program would not be exempt and, therefore, must conduct "status verification." Under the DOJ ruling, grantees subject to this ruling have 2 years to fully implement this procedure.

Also addressed in the LIHEAP-IM-98-25 is the issue of unqualified aliens residing in multi-family buildings. Since many LIHEAP grantees also use the DOE rules to implement their programs, HHS has adopted the 66 percent provision of the DOE regulations to address this issue. Under DOE rules a multi-family building may be weatherized if 2/3 of the units are eligible for assistance (1/2 in the case of a 2 or 4 unit building). HHS has modified the provision concerning verifying citizenship in multi-family buildings. LIHEAP-IM-99-10 issued June 15, 1999 retracts any requirement that weatherization providers must do any type of certification of citizenship in multifamily buildings.

5.2 PROCUREMENT OF BUILDING INSULATION PRODUCTS AND MATERIALS CONTAINING RECOVERED MATERIALS: Section 6002 of the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 (RCRA), states that if a procuring agency using Federal funds purchases certain designated items, such items must be composed of the highest percentage of recovered materials practical. On February 17, 1989, the

Environmental Protection Agency promulgated the final rule containing the guidelines for the procurement of building insulation products. Policy guidance was issued by DOE on February 16, 1990 providing further clarification on this issue.

5.3 HEALTH AND SAFETY: States are again reminded that one of the primary goals of this program is energy efficiency. We are concerned that this goal continue even with the program changes which allow DOE funds to be used for health and safety abatement. Therefore, States that intend to use DOE funds for this purpose must include all energy-related health and safety abatement within the per home expenditure average (\$2085 for Program Year 2000). States are reminded that the percentage of funds approved for health and safety abatement apply to all homes weatherized under the program and have no relationship to how much is spent on homes which receive capital intensive measures. For example, if a State is approved to spend 10 percent of its funds on health and safety measures, this converts to an average cost per home of \$209 ($\$2085 \times .10 = \209). This means that the total number of homes weatherized times \$209 equals the maximum amount that may be spent on health and safety. Specific health and safety abatement issues are discussed in Weatherization Program Notice 93-13(A). The maximum amount to be spent on health and safety measures must be reflected in the Health and Safety budget category on the SF-424A and related narrative. States are again reminded that one of the primary goals of this program is energy efficiency. We are concerned that this goal continue even with the program changes which allow DOE funds to be used for health and safety abatement. Therefore, States that intend to use DOE funds for this purpose must include all energy-related health and safety abatement within the per home expenditure average (\$2085 for Program Year 2000). States are reminded that the percentage of funds approved for health and safety abatement apply to all homes weatherized under the program and have no relationship to how much is spent on homes which receive capital intensive measures. For example, if a State is approved to spend 10 percent of its funds on health and safety measures, this converts to an average cost per home of \$209 ($\$2085 \times .10 = \209). This means that the total number of homes weatherized times \$209 equals the maximum amount that may be spent on health and safety. Specific health and safety abatement issues are discussed in Weatherization Program Notice 93-13(A). The maximum amount to be spent on health and safety measures must be reflected in the Health and Safety budget category on the SF-424A and related narrative.

Note: The NOPR proposes that health and safety costs be established as a separate category and not included in the average cost per home calculation.: The NOPR proposes that health and safety costs be established as a separate category and not included in the average cost per home calculation.

Health and safety appears in three sections of the final rule ('440.16, '440.18 and '440.21) and impacts directly on the operation of the program by the subgrantees. While these procedures are not a part of the application, under '440.16(h), States are required to submit to DOE for approval at the same time as the annual application, their list of health and safety abatement procedures. Although not required as a part of the hearing on the State plan, DOE strongly encourages States to address their health and safety procedures in a public hearing forum. The hearing on the State plan would offer an excellent opportunity to air these procedures and how they would impact on other components of the plan, and to accept and consider comments from the public.

A number of States have asked if it is mandatory to have a health and safety budget cost category, or can health and safety costs continue to be assigned to the existing incidental repair, labor, and weatherization material budget categories. States may continue to assign costs to these existing budget categories where those costs are properly assignable to them. However, costs that cannot be assigned to those categories, such as replacement space heaters, can only be assigned to the health and safety category.

States have also asked what costs may be reported in the health and safety cost category. For example, must material and labor costs be reported in that category, or should only materials costs be reported there? States may do either when approved by the RO. Since most health and safety activities are carried out by weatherization crew persons, it does not seem wise to force an artificial split between regular weatherization duties and health and safety duties that are carried out by these workers.

States should carefully consider the approach to be taken when they draft their health and safety procedures. While ease of accounting is an important consideration, States should keep in mind that activities assigned to the health and safety budget category do not have to be cost-justified by the energy audit. The same items assigned to incidental repair (for waiver audits), weatherization material, or installation cost category must be cost-justified. The health and safety plan should be included in Section III.4 of the Master File of the Application Package.

5.4 RENTAL REQUIREMENTS: All States were required to develop rental procedures which address the provisions of Section 440.22 prior to the submission of their application. In developing these procedures, States were encouraged to open a dialogue with their local agencies to ensure that the procedures adopted are both understood and attainable. As with health and safety, these procedures are not a part of the application, however, they do impact directly on the operation of the program by the subgrantees. DOE strongly encourages States to address their rental procedures including any changes from the previous year, in a public hearing forum. The hearing on the State plan offers an excellent opportunity to air these procedures and how they would impact on other components of the plan, and to accept and consider comments from the public. All States were required to develop rental procedures which address the provisions of Section 440.22 prior to the submission of their application. In developing these procedures, States were encouraged to open a dialogue with their local agencies to ensure that the procedures adopted are both understood and attainable. As with health and safety, these procedures are not a part of the application, however, they do impact directly on the operation of the program by the subgrantees. DOE strongly encourages States to address their rental procedures including any changes from the previous year, in a public hearing forum. The hearing on the State plan offers an excellent opportunity to air these procedures and how they would impact on other components of the plan, and to accept and consider comments from the public.

5.5 BASE AUDIT WAIVER: DOE is proposing to eliminate the base audit criteria and the necessity for a waiver, as a part of the NOPR. Today, virtually all States are now using an approved waiver audit. After the final rule is issued, there will no longer be a provision to grant a waiver of this new requirement. Special consideration and assistance will be provided to Native American tribes that are direct grantees of the Program and the State of Hawaii in converting their energy audits. DOE is proposing to eliminate the base audit criteria and the necessity for a

waiver, as a part of the NOPR. Today, virtually all States are now using an approved waiver audit. After the final rule is issued, there will no longer be a provision to grant a waiver of this new requirement. Special consideration and assistance will be provided to Native American tribes that are direct grantees of the Program and the State of Hawaii in converting their energy audits.

Note: Any State not currently using an approved waiver audit must describe in their State Plan what new audit they will use and a timetable for implementation.: Any State not currently using an approved waiver audit must describe in their State Plan what new audit they will use and a timetable for implementation.

5.6 WAIVER AUDIT REQUEST: DOE is proposing that the waiver audit criteria currently in the regulations become the minimum criteria for an energy audit used in the Program. Therefore, there will no longer be a need for any waivers. DOE will issue new guidance on energy audits after the issuance of the final rule that will detail requirements for single-family, multi-family and mobile home audits. States which need to re-validate their priority list should wait until the new guidance is issued before submitting it to DOE. DOE is proposing that the waiver audit criteria currently in the regulations become the minimum criteria for an energy audit used in the Program. Therefore, there will no longer be a need for any waivers. DOE will issue new guidance on energy audits after the issuance of the final rule that will detail requirements for single-family, multi-family and mobile home audits. States which need to re-validate their priority list should wait until the new guidance is issued before submitting it to DOE.

5.7 CAPITAL INTENSIVE HOMES: The intent of the Congress in providing an increase to the per home expenditure average was to allow States and local agencies to "invest more money" on those units which require capital intensive work on the heating and cooling units. The replacement or modification of these heating and cooling units must be justified by the energy audit and the amount to be used for capital intensive measures approved by DOE. The intent of the Congress in providing an increase to the per home expenditure average was to allow States and local agencies to "invest more money" on those units which require capital intensive work on the heating and cooling units. The replacement or modification of these heating and cooling units must be justified by the energy audit and the amount to be used for capital intensive measures approved by DOE.

States which wish to increase the annual-adjusted average per dwelling unit limit for capital intensive heating and cooling modifications must apply to DOE for approval. This request for an increase to the average per dwelling unit expenditure limit is restricted to those homes which require major heating and cooling modifications as determined by the approved energy audit.

The States must, as a minimum, include in their request the average cost for doing heating and cooling modifications in their respective State and how the data for that average was collected and documented. This information should be supported by documentation of items such as material and labor costs associated with the purchase and installation of these materials, as well as any other costs related to these materials. For example, data obtained from a Request for Proposal or utility program replacement costs could be used. However, justifications based on retail costs would not normally be permissible. States which apply for this increase may include

the cost of performing relatively low-cost items such as filters and tune-ups in determining the total amount of increased costs for those units.

States currently using the Project Retro-Tech audit or a priority list that has not been revised to include mechanical measures must modify their audit procedures and receive DOE approval before any consideration to increasing the annual-adjusted per dwelling unit average will be entertained. This average increase is "separate" from the base program average determined annually by DOE. States that are granted this "separate" average must maintain records and report to DOE on dwelling units weatherized under both averages. However, calculation for the 40 percent compliance continues to be a statewide process if a State is not using a waiver audit.

All approved health and safety abatement procedures (including replacement heating and cooling units) must be done within the annual-adjusted per dwelling unit average (\$2085 for PY 2000). No health and safety procedure may be included as a capital-intensive measure. For example, even if a utility company has red-tagged a furnace, the cost of its replacement for the purposes of an increase to the average cost per unit must be as a result of the energy audit performed on the home and not strictly as a health and safety abatement procedure.

Note: The separate category for capital intensive costs is proposed for elimination as a part of the DOE legislative initiative with the Congress and may be part of the final rule. These costs will be included in the higher proposed \$2500 cost per home average.: The separate category for capital intensive costs is proposed for elimination as a part of the DOE legislative initiative with the Congress and may be part of the final rule. These costs will be included in the higher proposed \$2500 cost per home average.

5.8 DISASTER RELIEF: DOE issued Weatherization Program Notice 93-12 on July 28, 1993 addressing disaster relief. Upon request and DOE approval, DOE funds may be used for energy related items such as replacement water heaters in those affected homes. Any measure not currently listed in Appendix A of the program rule must be submitted as a part of any disaster relief plan for approval by DOE. DOE issued Weatherization Program Notice 93-12 on July 28, 1993 addressing disaster relief. Upon request and DOE approval, DOE funds may be used for energy related items such as replacement water heaters in those affected homes. Any measure not currently listed in Appendix A of the program rule must be submitted as a part of any disaster relief plan for approval by DOE.

5.9 LEVERAGING: DOE program regulations permit States to take a percentage of their grant (including PVE funds used under the weatherization program) or a percentage of their training and technical assistance funds to undertake leveraging activities. States must identify in their plan, the specific amount of funds, the details of how those funds will be used for obtaining non-Federal resources, how the funds leveraged will be used to support the DOE Weatherization Program, and the expected leveraging effect of those Federal funds, including PVE. DOE program regulations permit States to take a percentage of their grant (including PVE funds used under the weatherization program) or a percentage of their training and technical assistance funds to undertake leveraging activities. States must identify in their plan, the specific amount of funds, the details of how those funds will be used for obtaining non-Federal resources, how the

funds leveraged will be used to support the DOE Weatherization Program, and the expected leveraging effect of those Federal funds, including PVE.

States must explain in their plans the rationale for diverting program funds, which are designated for distribution to subgrantees based on relative need for weatherization assistance to a leveraging activity. The larger the percentage of the grant used for this activity, the more extensive DOE will expect the rationale to be. In developing plans, States will be allowed flexibility when using T&TA funds for leveraging activities such as: paying for agency or consulting staff to explore general or specific possibilities; holding leveraging meetings; preparing TECHNICAL materials/briefs; or allowing voluntary match funds from a non-Federal source which will be used to weatherize low-income homes.

However, States that choose to utilize general program funds for leveraging activities must ensure that these funds are used to obtain non-Federal resources that will be used to weatherize the homes of low-income persons by either increasing the number of homes weatherized or increasing the scope or type of services to homes that are weatherized. We realize leveraging efforts will not always be successful, but States should aim to produce at least one dollar leveraged for each dollar expended on the leveraging effort.

5.10 DETERMINING ELIGIBILITY LEVELS AND DEFINING INCOME: In determining the level of eligibility, the State may use either the DOE criteria of 125 percent of poverty or the LIHEAP criteria. This determination, made by the State, must be applied statewide. In determining the level of eligibility, the State may use either the DOE criteria of 125 percent of poverty or the LIHEAP criteria. This determination, made by the State, must be applied statewide.

The program regulations define "low income" as income in relation to family size. DOE issues annually poverty income guidelines for use in the Program along with a definition of what constitutes income. If the State elects to use the DOE level of 125 percent of poverty, then the DOE definition of income provided annually must also be used. However, should a State elect to use the LIHEAP criteria, then the State may either use the DOE definition of income or as permitted under the LIHEAP regulations, the State may define what constitutes income.

Eligibility issues are discussed further in WPN 99-7 issued August 27, 1999.

5.11 FUEL SWITCHING: The DOE Weatherization Assistance Program does not permit the general practice of fuel switching when replacing furnaces. DOE does allow the changing or converting of a furnace using one fuel source to another on a limited case-by-case basis only. The DOE Weatherization Assistance Program does not permit the general practice of fuel switching when replacing furnaces. DOE does allow the changing or converting of a furnace using one fuel source to another on a limited case-by-case basis only.

5.12 NOTIFICATION REQUIREMENTS FOR LEAD HAZARD EDUCATION BEFORE RENOVATION: For immediate implementation - all Low-Income Weatherization Assistance Program activities doing renovation work in pre-1978 housing are subject to the provisions of a Federal regulation that require them to give a notification to the occupants of the housing about

the potential hazards of lead paint and lead paint dust. This notification applies to all entities who do renovation work and is required when more than two square feet of lead paint surfaces will be disturbed during weatherizing work. This requirement became effective June 1, 1999 and is published in the June 1, 1998 Federal Register, Vol. 63, No. 104. This is an Environmental Protection Agency (EPA) Final Rule, 40 CFR Part 745 titled: Lead; Requirements for Hazard Education Before Renovation of Target Housing. Renovators are required to give a copy of the EPA booklet "Protect Your Family from Lead in Your Home" at least seven days prior to the start of work. There are several specific exclusions like emergency repairs. Also, there is a record keeping requirement. For immediate implementation - all Low-Income Weatherization Assistance Program activities doing renovation work in pre-1978 housing are subject to the provisions of a Federal regulation that require them to give a notification to the occupants of the housing about the potential hazards of lead paint and lead paint dust. This notification applies to all entities who do renovation work and is required when more than two square feet of lead paint surfaces will be disturbed during weatherizing work. This requirement became effective June 1, 1999 and is published in the June 1, 1998 Federal Register, Vol. 63, No. 104. This is an Environmental Protection Agency (EPA) Final Rule, 40 CFR Part 745 titled: Lead; Requirements for Hazard Education Before Renovation of Target Housing. Renovators are required to give a copy of the EPA booklet "Protect Your Family from Lead in Your Home" at least seven days prior to the start of work. There are several specific exclusions like emergency repairs. Also, there is a record keeping requirement.

EPA has a lead home page that is a part of the EPA web site where there is useful information about this notification requirement, including a fact sheet, frequently asked questions, the above cited Federal Register notice and the above referenced 14 page booklet, including information on how to get the booklet. States and local agencies will have to bear the cost of copying the booklet. States and local agencies needing the booklet for upcoming weatherization work may download the booklet from the web site and reproduce it locally. DOE will provide State offices with camera ready copies of the booklet. The address for the EPA web site is <http://www.epa.gov/lead/leadrenf.htm>. The mailing for the guidance will include the EPA pamphlet, *"The Lead-Based Paint Pre-Renovation Education Rule ... a handbook for contractors, property managers, and maintenance personnel"*, which explains the requirements of the rule.

Note: Please remember - under this regulation local agencies who do not give proper notification could incur hefty fines if found doing renovation work in pre-1978 housing stock where more than two square feet of paint surface are disturbed. Local agencies have until June 1, 2000, under the EPA rule to implement and until then there is no penalty. This requirement applies to only those homes covered by this EPA Final Rule.: Please remember - under this regulation local agencies who do not give proper notification could incur hefty fines if found doing renovation work in pre-1978 housing stock where more than two square feet of paint surface are disturbed. Local agencies have until June 1, 2000, under the EPA rule to implement and until then there is no penalty. This requirement applies to only those homes covered by this EPA Final Rule.

The EPA is drafting another rule concerning lead paint safety in homes, having to do with remodeling and renovation work. We will inform the weatherization network when the draft is ready for comment.

6.0 REPORTING

6.1 REPORTING REQUIREMENTS: The following reports are required on a quarterly basis, due 30 days after the end of the quarter: The following reports are required on a quarterly basis, due 30 days after the end of the quarter:

A. SF 269 (*Financial Status Report- Long Form*) . Separate 269's are not required for each funding source; however, a detail sheet should be provided showing the funding source by category, where funds were expended.

B. *Quarterly Program Report* captures the production and expenditures for the quarter.

C. SF-272 Federal Cash Transaction Report.

The following reports are due semi-annually, 30 days after the end of the six-month period:

A. *The Training and Technical Assistance (T&TA) Report* is designed to elicit a summary of the T&TA activities that States provide. Routine day-to-day activities are not being requested on this report. Rather, only those T&TA activities that States would normally report to DOE are requested.

B. *The Monitoring Report* is used to collect summary information that identifies successes as well as significant problems identified and resolved, as opposed to each and every problem that is found during the reporting period. Only those official visits that would normally be reported to DOE, not routine day-to-day activities, are requested.

C. *The Leveraging Report* is designed to collect information on the use of leveraged funds. States should report on activities which took place using DOE funds as well as activities undertaken with outside resources that are managed at the State level or that flow through the local agencies.

D. *The Success Story Report* is requested on a semi-annual basis, but States are encouraged to send success stories as often as they occur. Each success story should be captured on a separate page.

7.0 CONSOLIDATION/DOWNSIZING ISSUES

The appropriation level for Program Year 2000 proposes level funding for the Program. This funding level will continue to challenge States and local agencies to operate cost-effective programs with significantly reduced funding. The real possibility of consolidation and downsizing of State and local agencies remains a serious concern. Likewise, reduced LIHEAP funding, coupled with nearly exhausted oil overcharge funds has compounded the problem for many States. DOE continues to encourage States to be innovative in their approach to the downsizing and agency closing issues. States should continue to seek alternative approaches to resolving or minimizing the impact of reduced funding. Examples include: seeking support from State financing agencies, consolidating State central purchasing, evaluating performance versus costs, utilizing local agencies to cover border(s) of neighboring States, and minimizing legal

disputes. States should address specific agency closing and downsizing issues in their respective State plans. RO's will review these issues on a case-by-case basis.

States must ensure that all relevant DOE regulations are followed particularly when dealing with the elimination and/or the selection of new local agencies. Section 440.15 places specific criteria on the selection of new agencies. States should include, as a part of the criteria, the ability of the agency to serve an expanded area. Before making a final determination on closing an agency and selecting another, States are reminded that CAA's are given preference. Preference does not mean a guarantee; however, in evaluating a subgrantee's program effectiveness, weight must be given pursuant to '440.15(a)(2)(iii)(3) prior to a final determination on which agencies will operate weatherization programs.

Reduced funding for Weatherization may force some areas of a given State not to be in a position to provide service this program year. To address this issue, States should provide a description of the areas to be served this program year and, if no other funds are available to cover these areas, then States should indicate in their plan how they intend to provide service to these areas in the following program year. No area of a State should go more than one year without weatherization service.

DOE believes that thoughtful deliberation and an open discussion with the affected agencies by the State prior to any final determination will make this transition easier. Regardless of the level of appropriations for Weatherization, DOE remains committed to providing quality weatherization services to its eligible clients. The States have made great strides over the past several years by committing to the principle of improving the quality of their programs through adopting advanced energy audits and using new techniques to maximize their performance. This principle should not be compromised during the resolution of downsizing/consolidation issues. The strength of this program lies with not how many homes we can weatherize, rather with the quality of the workmanship we put into each one. This commitment to quality translates into documented energy savings, one of the cornerstones of this program.

CONCLUSION: During Program Year 2000, DOE expects to issue a final rule to implement proposed regulatory changes to the Weatherization Assistance Program. It is our goal to have these changes completed by the beginning of Program Year 2000. Regardless of whether we meet our goal, States will be permitted to amend their existing plans to incorporate any changes that have become final. During the past year, our key stakeholders, particularly State and local agencies, participated in a series of open forum exchanges with DOE over regulatory changes. This process allowed DOE to gather valuable insight into those issues that most impact the Program and what changes our stakeholders want to see implemented. When the final rule is issued in early 2000, we can all take pride in our collaborative work on improving the Weatherization Assistance Program.

Gail McKinley, Director
Office of Building Technology Assistance
Energy Efficiency and Renewable Energy